THE APPRAISAL FORM – RW 20

The purpose of Appraisal Form RW 20 is to provide a format containing those elements consistent with good appraisal practices. This is considered necessary to document the files for the expenditure of public funds and to enable the Department of Highways' review staff to process a large volume of appraisals within a project's programmed time limit.

Appraisals are to be completed using the RWU system. This system employs a database program through which information is input via an internet connection onto an appraisal form that resides on the KYTC server. All appraisals for right of way acquisition must be completed using the RWU system. Minimum system hardware and software requirements are specified by KYTC.

This form is designed to allow the appraiser to reflect a true picture of any appraisal problem. It is important to remember that others who review or refer to the appraisal report may not be as familiar with the appraisal problem as the appraiser. Therefore, each step should be explained sufficiently so that a clear and concise picture of the problem is presented and all conclusions properly supported. This will expedite the entire process and leave no doubts in the minds of persons who may not have viewed the property that there is justification for the expenditure of tax dollars based on the appraisal. Others often use the appraisal report as a source of information in making decisions. The appraiser should keep in mind that the appraisal report has a purpose and usefulness beyond simply estimating compensation.

This form consists of sixteen (16) sheets, which are as follows:

Sheet 1	Purpose of appraisal, parcel identification, summary of facts and conclusions, contingent and limiting conditions and certificate of appraiser.
Sheet 2	General data and property description.
Sheet 3	Photographs and property sketch.
Sheet 4	Sketch of buildings.
Sheet 5 or 11	Cost approach - market value of land, site improvements and summary of depreciated cost of buildings (before or after).
Sheet 6 or 12	Description and cost of buildings (before or after).
Sheet 7 or 13	Income approach (before or after).
Sheet 8 or 14	Sales comparison approach (before or after).
Sheet 9 or 15	Correlation and allocation (before and after).
Sheet 10	After value data - narrative form.
Sheet 16	Appraisal recapitulation.

The RW 20 is a versatile tool that is expandable. This flexibility should allow its application to a wide range of appraisal problems from the most complex to the very simple with the appraiser selecting those sheets necessary to explain and support all conclusions. It should be noted, however, that any significant deviation from the format required in the Project Report RW 75 must receive prior approval from the review appraiser. Staff appraisers should consult the assigned review appraiser for guidance and prior approval.

The appraisal may be expanded as needed to adequately address the appraisal problem. For instance, a subject property may consist of a small commercial establishment with a residence on the adjacent lot, each capable of existing and functioning independent of the other. This situation may require separate market and/or cost analyses for each unit. In this case, two principal buildings may exist, thus two principal building descriptions are needed. Furthermore, separate analyses in the after value could be necessary.

INSTRUCTIONS FOR COMPLETING FORM RW 20

Appraisal reports are currently being written in the RWU database program. If the appraiser is completing reports in this system, reference should be made to the *RWU Manual – Appraiser's Guide.*

Sheet 1

Space is provided in the upper right-hand corner for the date the report is submitted to the District Right of Way office or consultant. This space should not be used by the appraiser, but rather by the Right of Way Supervisor to whom the report is delivered.

The appraiser must first select the type of acquisition before continuing with the appraisal.

Item 1 - The "Purpose of Appraisal" is self-explanatory.

Item 2 - The road name, project number, county and SYP numbers are self-explanatory and are filled in from the approved plans and acquisition order.

Obtain the correct name(s) of the property owner(s) and check for the correct spelling of all names, **no matter how simple or familiar they appear to be.**. If subject property is owned by a corporation, institution or by a governmental agency, the names of the principal officers should be furnished.

List the correct mailing address, telephone number and zip code of each owner. Complete this to include rural route number and box number, if possible. Verify it with the property owner for accuracy.

Show correct postal address of the subject property and include the zip code.

Show occupant's name, persons contacted and date of contact.

Item 3 - "Value Conclusions" are automatically entered from applicable sections of the report. The appraiser must enter areas acquired and select the appropriate unit(s) of measurement.

Item 4 - Any contingent and limiting conditions should be stated by the appraiser. If they are contained in the Comparable Sales Report, reference should be made here. Some limiting conditions of a general nature are included in the "Appraiser's Certification of Comparable Sales Data, Analysis, Conclusions and Opinions" on Form RW 22 which will be included as part of the "Comparable Sales Report." However, any contingent or limiting conditions that may be applicable to an individual parcel should be stated here.

Item 5 - All blanks related to the "Certificate of Appraiser" must be filled in. The most recent date of inspection of subject property should be used as the date of appraisal. This date cannot be later than the most recent date of inspection. The period from the date of valuation to the date the appraisal is signed shall not exceed two weeks. The appraisal must be submitted within two weeks of the date signed.

Sheet 2

General Data and Property Description - The parcel number and SYP number are displayed in the top, right hand corner.

Item 1 - A five-year sales record is required for the transfers of subject property during the last five-year period. Show grantor, grantee, date, deed book page number and verification. Do this on each transaction during the five-year period beginning with the last transfer.

If such a property has remained in the present ownership for a period greater than five years, show all of the above details of the latest transfer. If it is not possible to obtain the last source of title, explain why. Lack of title reports is not adequate explanation.

Show the current assessed value of the subject property for the county and city as applicable.

Show specific type of zoning such as B1-B2, C1-C2, R1-R5, M1-M2, etc. General classification such as "Residential," "SFR," "MFR," "Industrial," etc., are insufficient here. A copy of the zoning ordinances or a narrative explanation of the various restrictions imposed by the type of zoning generally affecting the parcels in the appraisal assignment should be included in the "Comparable Sales Report."

Show present use of the property. A statement that the present use is commercial is not sufficient. The word "commercial" should be supplemented by the type of commercial such as "hardware store," "drug store," "barber shop," etc. The same applies to residential use. The word "residential" should be supplemented by "single-family," "duplex:, "four-plex," "multi-family," etc. Institutional use or industrial use should be treated in the same manner.

State your estimate of "Highest and Best Use." Once again, be specific and list the reasons for your conclusion.

If subject property is rented or leased, show lessee's name and address. Attach a copy of the lease if possible or show terms of the lease including: (1) date of lease; (2) lease terms; (3) amount of rental, percentage clause, if any, graduation if any, and how paid; (4) responsibility for taxes, insurance, maintenance, utilities and other covenants; (5) option to renew, date of notice, term in years, rent, etc; (6) lessee improvements, whether these may be removed at the expiration of the lease or whose property such improvements become; and (7) condemnation, the respective rights of the lessor and the lessee.

Item 2 - **Location and Neighborhood** - A brief description of the general location of the parcel involved such as "five miles east of Frankfort on the north side of U.S. 60," or "the north side of East Main Street near the east city limits of Frankfort." Regarding the neighborhood, only those items pertinent to the subject parcel not included in the neighborhood analysis of the comparable sales report need to be included under this item. Pay particular attention to factors that may affect the value or use of the subject property.

Item 3 - **Land and Site Improvements** - Under this item, the appraiser is provided space within which to describe the land and site improvements of the subject property whether it is a small lot or a large rural tract. The various letters in parenthesis showing the topography and quality are self-explanatory.

On farms, the various classes of land may be shown as "level tillable," "rolling tillable," "rolling pasture," "wood pasture," "woodland," etc., depending upon the areas of the various classes.

The rating factor and composite columns are provided to allow the appraiser to develop a land class rating factor for the subject property. This is explained in more detail under **Section I** of this instructional guide entitled "Comparable Sales Report."

All site improvements must be listed and itemized in sufficient detail to allow an accurate accounting of the various components. This is of particular importance in deriving adjustments, computation of depreciated costs and partial acquisitions. For instance, "Paved Parking/Good/5,000 sf" is too general if there is 1,000 sf of concrete in fair condition and 4,000 sf of asphalt in good condition.

Item 4 - **Physical Characteristics** - This item is self-explanatory and those items applicable to the subject property should be listed by type and those items not present marked with the word "none." Use additional spaces as needed.

Item 5 - **Buildings** - Under this item, the appraiser will be able to furnish a word description of the various components of the principal buildings and their respective conditions. The first column deals with the building class, the cost source from which it is determined and the general characteristics such as number of stories, estimated age, effective age, room count, etc. The second and third columns concern the components of the principal buildings and space is provided to show the type of components. An example would be: "foundation - poured concrete - (G)," or "attic - stairway to 1,500 square feet of storage - (F)," or "fireplace - wood burning - wood mantel - (E)," etc.

Describe any unusual features or clarification of items mentioned above under "Remarks" and rate accordingly.

List other outbuildings and describe under the heading as shown.

It should be noted that Items 3, 4 and 5 encompass the basic elements of comparison listed on Comparable Sales Form RW 20 B, C, and D. By providing this degree of similarity it should be easier for the appraiser to select those sales most comparable to subject property for the market approach.

NOTE: It is very important to develop the descriptions on this sheet properly to give the reader a complete understanding of the subject property. Further, and perhaps most importantly, the basis for adjustments in the "Sales Comparison Approach" and depreciation in the "Cost Approach" is established at this point in the appraisal.

PHOTOGRAPHS AND PROPERTY SKETCHES

Sheet 3

Item 1 - Photographs - The appraiser should follow the instructions shown on Sheet 2. Photographs are required of all buildings and should be taken close enough to show the type and condition of each. Include photographs of each class of land considered in the appraisal.

The appraiser is encouraged to take an ample number of photographs. Interior photographs are often helpful. Photograph all significant property features and potentially controversial items. Clearly number photos on the front side so that their position and direction can be indicated on the property sketch. Label the reverse side of the photo indicating the person who took it, date taken, and what it depicts. Digital images may be printed on supplemental sheets with the required identification caption adjacent to each image. Do not use clipboards and other devices that show on the face of photographs for photo identification. The appraiser should keep in mind that photographs become one of the most useful tools in the right of way acquisition process once the inspection is completed. All negatives or image files should be retained and stored so reprints can be made for condemnation trials or other purposes. An extra set of photos of all improvements acquired must be submitted to the District Right of Way Supervisor.

Item 2 - Property Sketch - The instructions for the property sketch on Sheet 3 are self-explanatory, however, compliance with the instructions is emphasized. The sketch should be made in sufficient detail to provide the reader a meaningful visual picture of the appraisal problem. Inclusion of frontage dimensions, proposed location(s) of items associated with cost-based functional curable obsolescence, numbered photo direction indicators, and north arrow are mandatory. The entire property boundary should be delineated. Buildings are/or other significant property features should be shown. Ground lease lines are to be delineated. Photocopies of highway plan sheets cannot be substituted for property sketches.

At the bottom of Sheet 3, space is provided for the appraiser to show the total area of the tracts, area acquired and area of the severances left and/or right. The appraiser may also show the area in easements by filling in the type being acquired.

Space is also provided for the appraiser to show the proximity of the right of way and travel way to the principal building(s) both before and after the acquisition, as well as the grade along the frontage both before and after. Note that the format for this information is duplicated as it appears on Comparable Sales Form RW 20D. This should allow the appraiser to make direct comparison of sales having similar characteristics of the subject property regarding proximity and grade.

Sheet 4

Sketches of Buildings - The instructions at the top of Sheet 4 are self-explanatory. Additional sheets (4) may be used as needed and numbered Sheet 4 continued.

Compliance with these instructions is emphasized. Portions of buildings that differ in construction class or design should be delineated. Significant floor plan features such as finished office area in a warehouse, should be shown with dimensions included. Describe leased areas in multi-tenant buildings whenever they are pertinent to the appraisal problem. The list of lessees and the area leased by each is to be shown under "Remarks."

COST APPROACH

Sheet 5 or **(Before Value)**
Sheet 11 **(After Value)**

Parcel and SYP numbers are displayed at the top of Sheets 5 and 11.

Item 1 - **Land Value Justification -** This is a grid for developing the market value of the land in the cost approach. Vacant land sales should be used.

Items (1) and (2) are self-explanatory and are to be filled in on the subject property as well as on all sales. Items (3) and (4) are self-explanatory. Item (5), which is the time factor, must be documented by explanation in the Comparable Sales Report. It should be noted that this is a time factor and not a percentage, therefore, if no time increase is present, the factor will be 1.00. The factor for a ten percent time increase would be 1.10, etc. Item (6) is self-explanatory and is obtained by multiplying the sales price times the time factor. Item (7) is the unit of comparison. This may be on a per acre, front foot or square foot basis as applicable. Item (8) is the factor(s) requiring adjustment. All adjustments are to be made plus or minus in dollar amounts for the unit of comparison being used. Regardless of the unit of comparison, the contributing value of site improvements, if any, is not to be included in the unit value of the sale. Adjustments made on each sale must be explained in the space below the grid. If adjustments are based on percentages, they must be converted to dollar amounts before being entered into the adjustment grid.

Items (9) and (10) are self-explanatory, however, a correlation of the values indicated by the various sales is required with the reasons given for the unit value selected as a result of the comparisons.

Item 2 **Site Improvements -** This grid is for listing all special land improvements, quantity or area, unit cost, replacement cost new, depreciation, if any, and their contributing value to the property as a whole.

Site Improvement: An improvement on the site (land) which adds value (in theory) and helps the site achieve its intended use. Site improvements include fences, walls, septic systems, wells, landscaping, etc.

When the appraiser considers it necessary to include trees and ornamental shrubbery which have achieved maximum or near maximum growth, it is obviously difficult to use the grid as set up. In these cases, the types and numbers of trees or shrubs should be shown on Lines A, B, C, etc., with an estimated contributing value shown in the last column. The appraiser should show his reasoning or source of value for these under "Remarks."

Item 3 - **Total Site Improvements** - This item is self-explanatory and is the total contributing value of all site improvements. The space below Item 3 is for explanation of depreciation or any other remarks deemed necessary to explain the contributing values.

Item 4 - **Total Land and Site Improvements -** This item is self-explanatory and is the combined totals of land and site improvements.

Item 5 - **Depreciated Cost of Buildings -** This item is the total depreciated replacement cost of all buildings as shown on Sheet 6, Item 14.

Item 6 - **Indicated Value by Cost Approach Before the Acquisition -** This is the total of Items 4 and 5 and is self-explanatory.

Sheet 6 or
Sheet 12

(Before Value)
(After Value) - Description and Cost of Buildings - A detailed cost analysis is required for all improvements when the cost approach is applicable. Parcel and SYP numbers are shown at the top of the page. The source of cost data must be identified along with the page number from which the base unit cost is derived and the date of issue.

Item 1 - The name of the principal building under consideration and the class number and/or letter applicable as shown in the source of cost data used. Each principal building requires a separate cost analysis.

Item 2 - Story height should be listed as 1, 1-1/2, 2, SL (split level) or SF (split foyer) etc. If a portion of the house is one-story and part two-story, indicate by using numbers "1" and "2." The portions and designations of each must be shown on the building sketch on Sheet 4. Show the number of rooms on each floor and total square footage.

Item 3 - Since it is sometimes difficult to determine the actual age of improvements, the estimated age may be used. If actual age is known, it should be shown *(a'la Johnny Cochran).* The effective age is based entirely on the appraiser's judgment. An explanation is required under remarks at the bottom of the page if there is a difference between the estimated age and effective age. The observed condition should be indicated as "poor," "fair," "good," or "excellent." The opinion expressed here must be consistent with the estimated effective age, and must also agree with the cost source. Next is the type of construction, such as brick veneer, frame, solid masonry, stucco, etc. If portions of the building carry different base unit costs, show each base unit cost and carry them forward to Item 4.

Item 4 - The Base Cost is obtained by multiplying the total square footage applicable by the base unit cost per square foot. The base unit cost per square foot is derived from the cost source and page number shown. If portions of the building carry different base unit costs, show each base unit cost and carry forward. If the building is so arranged so that a different base unit cost would be applicable to certain portions, then the total square footage of each portion should be multiplied times the applicable base unit cost, and the combined total indicated.

Item 5 - **Variations from base cost** - Most all sources of cost data have certain basic components of a building included in their base unit price. Any differences in the components of the subject property and the class shown in the source of cost used must be adjusted by adding to or subtracting from the base cost. These should be shown at this point and the net variation determined. Items not included in the base cost and not shown in the source of cost data format may be determined on the local level and either added or subtracted at this point as applicable.

Item 6 - **Net variations (plus or minus)** - This is the difference between the total plus variations and total minus variations, i.e., if you had plus variations totaling $4,000 and minus variations totaling $3,000, your net variations would be plus $1,000 and vice versa.

Item 7 - **Cost of Principal Building -** This is the base cost plus or minus the net variations.

Item 8 - **Applicable Multipliers** - Most cost sources have certain multipliers relating to story height, area and space or perimeter, number of rooms, area, local, etc. Those applicable should be shown at this point and a composite multiplier developed. The page number and date of issue for these multipliers should be indicated.

Item 9 - **Cost New** - This item is self-explanatory and is obtained by using the composite multiplier times the cost as shown in Item 7.

Item 10 - **Depreciation** - List the percentage the building has depreciated, physically, functionally or externally and convert the total percentage into a direct unit by multiplying the cost new by the total percentage of depreciation. The depreciation assigned should be consistent with the difference between the estimated age and effective age and the condition and description of the building shown on Sheet 2, Item 5. Show the explanation of your reasoning at the bottom of the page under "Remarks."

Item 11 - **Depreciated Cost of Principal Building** - This item is self-explanatory and is obtained by subtracting Item 10 from Item 9.

Item 12 - **Accessory Buildings** - This is a grid to show all accessory buildings and the headings are self-explanatory. All columns are to be filled in correctly and the depreciated costs are to be determined. Here, as with the principal building, the depreciation should be explained under "Remarks" and must be consistent with the descriptions shown on Sheet 2, Item 5.

The building number in the first column of the grid would be the number that is assigned the building on your property and building sketch sheets.

Item 13 - **Depreciated Cost of Buildings from Other Sheets (6)** - This item is self-explanatory and is the total of all other sheets (6). If no other sheets (6) are used, insert the word "none" at this point. ***(****Note****:*** *This item does not apply when using the RWU system)*

Item 14 - **Depreciated Cost of all Buildings** - This item is self-explanatory and is the sum total of Items 11, 12 and 13.

The space provided at the bottom of this page entitled "Remarks" is for explaining depreciation, differences between estimated age and effective age, and other remarks deemed necessary to explain the depreciated cost.

Explain each type of accrued depreciation shown. When the total depreciation can be supported by the market, a lump sum adjustment is acceptable, provided each type of depreciation is discussed. In the case of special purpose properties when market data is not available and the cost approach is used to support the value estimate, each type of depreciation is to be shown and explained sufficiently to indicate the appraiser's reasoning.

The items to be discussed under "Remarks" are too frequently overlooked. Appraisal reports that are substantially deficient in this respect will be considered unacceptable by the review appraiser and returned to the appraiser for additional explanation.

It is important that the appraiser's conclusions regarding effective age and depreciation are supported by the condition ratings on Sheet (2). It is imperative that these factors are consistently applied in the other approaches to value and throughout the appraisal report.

Sheet 7 or
Sheet 13

(Before Value)
(After Value) - Income Approach – The Income Approach must be used on all income producing properties when it is possible for the appraiser to secure sufficient income and operating expense data to develop economic rent and typical operating expense for the subject property. The appraiser's inability to obtain such data must be fully explained.

The income approach in appraising property can produce great error unless the appraiser has full knowledge of the problem and of the principles of the income approach. This approach is to be based on a typical operation and not necessarily the existing one. This eliminates the measurement of either exceptional or bad management and assumes a typical, knowledgeable management.

Many things can influence this approach to such a degree that the final conclusion will be completely wrong. The two main influencing factors in which there is likely to be error are the estimating of economic rent and the capitalization rate. The economic rent (gross annual income) can best be estimated by using comparable leased properties and the capitalization rate can best be estimated by the current demands in the market.

The ready acceptance of the income and expense data for the subject property as typical for the market is discouraged. Such information obtained from interested parties must be carefully analyzed. Any direct use of actual income or expense data for the subject property requires a thorough explanation and justification.

Interest rates and capitalization rates may be developed by any method which is consistent with procedures; however, all data used to develop such rates must be derived from the market.

Item 1 - **Rent Comparisons** - It is mandatory that comparable leases or rentals be shown to justify the economic rent used in the appraisal of income properties. This grid is self-explanatory and allows the appraiser to show his opinion of comparison and the indicated rental for the subject property.

Item 2 - This space is provided to correlate the rental comparisons into an indicated economic rent for the subject property and for discussion of the operating statement developed under Item 3. It should be noted that comparable sales Form RW 20B is designed to include applicable economic data of comparable sales such as contract rent, estimated expenses, net before recapture, overall capitalization rate, indicated interest rate and remaining economic life.

Item 3 - **Operating Statement** - The first item is the gross annual income applicable to the subject property which is the gross annual **economic** rent. Next item shows the vacancy and collection losses, which must always be considered and the appraiser should check carefully to determine the extent they are present in the market.

The effective gross income is derived by subtracting the vacancy and collection losses from the gross annual income.

The operating expenses of the property consist of three parts: fixed expenses, operating expenses and reserves for replacement. While many businesses have operating statements that can be analyzed and used; the appraiser may have to prepare one independently based on facts secured as part of market data research, including copies of leases. The appraiser should explain the source of this operating statement under Item 2.

The total expenses are self-explanatory and the appraiser should show their relationship as a percentage of effective gross income in addition to the dollar amount.

The net operating income is self-explanatory and is derived by subtracting the total expenses from the effective gross income.

Item 4 - **Valuation** - In capitalizing the net income, several different techniques may be used such as building residual, land residual, and property residual techniques, discounted cash flow or mortgage/equity analyses. These and/or other techniques may require supplemental sheets for adequate presentation. Note that while no specific method is requested, instructions provided on Sheet 7 under Item 4 require an appropriate capitalization method be used based on the appraiser's analysis of market data related to the particular type of property being appraised. Further note the instructions state that an explanation of the reasoning and all pertinent calculations are to be provided. In developing the Income Approach, adherence to standards of professional practice commonly accepted in the appraisal industry is required.

Regardless of which method or technique is used, the appraiser should use extreme care in developing the appropriate capitalization rate as a variation of one-half to one percent can make a significant difference if the net income is substantial.

Copies of the leases on subject property, when available, must be attached. If none can be secured, then the terms and conditions of the leases must be stated.

Sheet 8 or
Sheet 14

(Before Value)
(After Value) - Sales Comparison Approach - The top half of this sheet is in grid form to allow the appraiser to show a breakdown of comparable sales used and the factors of adjustment applied. The bottom half is for the explanation of factors adjusted on **each** sale, and the justification or correlation of the values indicated by the sales into an indicated value by the sales comparison approach.

At the top of the grid is a space to show reference numbers for of sales being used as they appear in the comparable sales report.

Item 1 - The highest and best use of subject and each sale must be shown such as residential, farm, rural residential, commercial, industrial, etc., and this must agree with the data included with that sale in the comparable sales report.

Item 2 - The lot size must be shown here.

Item 3 - This is the total area of the principal building on the subject and comparable properties. For the subject, this must conform to the information on Sheet 2. For the comparables, it must agree with the information on the comparable sale forms.

Item 4 - Always show the exact date the property was sold

Item 5 - This is the total sale price including land, site improvements and buildings.

Item 6 - This is the factor that is to be multiplied against the sale price to account for any change in values arising from general economic conditions from the date of the sale to the date of the appraisal. It is the percentage converted into a factor and not a percentage per se. For instance, if no time increase is present, the factor will be 1.00. If a 10% increase is due, the factor will be 1.10, etc.

Item 7 - This item is self-explanatory and is the result of the sale price multiplied by the time factor.

Item 8 - This item is self-explanatory and includes the appraiser's opinion of the contributing value of all buildings. The value shown here should be consistent with the allocated value shown in the comparable sales report multiplied by the time factor indicated under Item 6 above.

Item 9 - This item is self-explanatory and is the total of the sales' site improvements as allocated on the sales form RW 20B or 20C multiplied by the time factor under Item 6.

Item 10 - The land contribution is obtained by subtracting the building and site improvements contribution from the adjusted sale price. This value should also be consistent with the total land value shown on the comparable sale in the sales report times the time factor shown in Item 6. Note that this is the land contribution after adjustment for time.

Item 11 - **Adjustment Base -**The adjustment base is the unit of comparison to be used for adjusting factors of dissimilarity between the sale and the subject. Normally, this will be the adjusted sales price as shown in Item 7.

In some instances in transitional areas, the improvements contribute very little, if any, value or possibly the property may sell for the same price for alternate uses. In these instances, it may be appropriate to use the adjusted sales price converted to dollar per square foot of land as the unit value that would include land and building. This could be set out in parenthesis immediately after the adjustment base as *"$PSF"* .

Also, it may be applicable to consider a unit of comparison based upon the total building area which would include a certain ratio of land for that particular use. In these instances, the unit of comparison would be a dollar per square foot of total building area and the adjustment base may be expressed as "*$PSF - Item 7 / Item 3*."

This format will allow the appraiser flexibility in developing the sales comparison approach.

Item 12 - This item is for the land class rating factor applicable for farm land. The method used to obtain this factor must be thoroughly explained in the comparable sales report and must be consistent in application to both the comparable sales and the subject parcel.

The appraiser should carefully determine the various classes of land on the comparable sales as well as subject parcel since the factor developed will usually account for topographical and quality differences with no further adjustments needed. (Please refer to example given under "Preparation of Comparable Sales Report" in Section I of these instructional guidelines.)

Item 13 - **Adjustment Factors -** The appraiser is to show the factors of dissimilarity between the sale and the subject property at this point under the sub-headings "a," "b," "c," "d". . . .

The adjustments will be plus or minus in dollar amounts consistent with the adjustment base determined by the appraiser under Item 12.

All adjustments must be explained under Item 16. The best means of supporting an explanation is by comparative analysis of sales with various differences accounted for in order to indicate a specific adjustment for such factors as location, size, shape, topography, etc. This may be accomplished by chart, graph, table, or in narrative form so long as the amount of the adjustment is reasonably explained. With the exception of very small assignments, this should be done in the comparable sales report and simply referred to at this point. This will reduce repetition and the amount of time that the appraiser has to spend on the appraisal report itself.

Where the dissimilarity between the sale and the subject is not substantial, a lump sum adjustment is acceptable provided it is accompanied by the appraiser's reasoning of the significant factors that make up the lump adjustment.

If there is a substantial dissimilarity, a detailed explanation of each factor and its contributing value should be made.

These explanations should be included under Item 16.

Item 14 - **Net Adjustment** - This item is self-explanatory and is the net difference plus or minus of the individual adjustment factors.

Item 15 - **Total Indicated Value -** This item is self-explanatory and is derived by adding or subtracting the net adjustments from Item 11 as applicable.

Item 16 - **Explanation of Adjustments** - This item is self-explanatory and was discussed under Item 13.

Each appraisal should be independent of others in terms of explanation of adjustments. Although reference to general analysis in the comparable sales report is encouraged, reference to analysis in other appraisals in lieu of explanation in the subject appraisal report is an unacceptable practice.

Item 17 - **Explanation of Value Used -** This item is for the correlation of the total indicated values derived from the three comparables in the above grid. The appraiser should furnish sufficient explanation to show his reasoning for arriving at a particular value conclusion. At his point, the appraiser shall analyze any current agreement of sale, option to purchase, or listing of the property, if such information is available to the appraiser in the normal course of business.

Item 18 - **Indicated Value by the Sales Comparison Approach -** This is the value conclusion the appraiser has reached under Item 17.

Sheet 9

(Before Value) – Correlation and Allocation - This sheet is for summarizing the approaches to value used, final correlation and breakdown of the estimated market value of the entire property.

Item 1 - **Final Correlation –** The appraiser shall make a final correlation of the approaches used to support the value conclusion and state reasons for any approaches not used. If the departure provision from USPAP is invoked in the appraisal, a statement should be made here relative to that fact, along with reasons for the departure.

Obviously, if the subject property is bare land without significant site improvements, the sales comparison approach is generally the only approach used.

However, if the subject property is an improved income producing property, the cost, income and sales comparison approaches are, in all probability, applicable.

There may be occasions where certain factors such as age of buildings or lack of market data could preclude the use of one of the approaches. In these instances, the appraiser should furnish a reasonable explanation of the situation.

If certain market data is not available in the area where the appraisals are being made, the appraiser may use available data from any area similar to the subject. If the necessary data is not available in another area, the appraiser should indicate the extent of his investigation in a brief statement.

Item 2 - **Reasonable Allocation -** At this point, the appraiser must allocate the estimate of total market value that has already been found and is shown in Item 1. Land classifications and areas; site improvements and quantities; buildings, building numbers, types, and classes are to be entered here. Land classes, site improvements, and buildings must be listed in the same manner as they appear on Sheet 2. The appraisal must also show the values allocated for each item. Individual allocations for land components, site improvements, and buildings are then added to get the total for each group. The allocation of contributing values will, of course, be similar to sale component values as adjusted in the sales comparison grids.

Occasionally, appraisals have significant differences between total land value as allocated under this heading and the total land value as established in the cost approach. A substantial difference between land value in the cost approach and land value in the allocation of the fair market value may indicate a failure on the part of the appraiser to properly correlate the unit values of bare land sales which have been used in the cost approach, or possibly, there may be inconsistent analysis and allocation of land values on the comparable sales. If a wide variance is apparent, steps should be taken to correct the inconsistency, or to furnish a reasonable explanation for the variance.

The total value of the entire property is indicated by adding the totals of the land and special land improvements and the buildings. This amount must equal the amount shown under Item 1(e).

Sheet 10

After Value Data - This sheet is to be used by the appraiser to describe the acquisition and the remainder(s). In effect, this sheet will become the analysis of the effect the acquisition will have on the remaining property.

The instructions shown after Items 1, 2 and 3 must be followed carefully to furnish the reader a clear picture of the conditions that exist as a result of the acquisition. The appraiser should discuss all factors that will result in any loss in value or enhancement to the subject property.

Particular attention must be given to utility items such as water lines, gas lines, power lines and sanitation facilities.

Item 1 - **Narrative Description of the Taking -** The narrative furnished here should show clearly how the acquisition is affecting the entire property. Describe where the acquisition begins and its course through the property; the type, class and area of land being acquired, cuts and fills at different points on the property, any fencing being acquired, improvements and site improvements acquired, proximity of right of way to buildings, and the acquisition of any utility items such as water lines, gas lines, sanitation facilities, etc.

Item 2 - **Narrative Description of Remainder(s) -** Each remainder must be described separately. The classes or types of land remaining and the area of each must be shown. The neighborhood analysis at this point should show the economic position of the remainder as it relates to highway, street frontage or other roads adjoining it, the distance to shopping and related areas, cross-roads, schools, churches, public transportation, etc. (as applicable). Furnish an explanation of highest and best use consistent with the narrative provided. The narrative should indicate whether, or not, the property should be considered one economic unit whenever two or more remainders are left.

The remainder(s) must be appraised using all applicable approaches to value. Appraisal of a remainder documented by a comparison of the remainder to comparable sales used in the Before Value with the statement: "The only difference between the before value and after value is the contributing value of the taking," will not be acceptable.

The appraiser should approach the description of the remainder from the perspective that it is a "new" or "different" property than existed prior to the acquisition. Reference to the subject property in terms of its description before the acquisition is wrong. Terse statements such as "The subject is unchanged from the before value except that 100 sf has been taken" are considered inadequate. References to the before situation should be confined to Item 1, Narrative Description of Acquisition.
Kentucky law, paraphrased, states that just compensation is the difference between the fair market value of the property immediately before the acquisition and the fair market value of the property immediately after the acquisition considering the road or other public facility complete.

From the above, it is evident that the appraiser, in establishing the after value, is to consider the property as it will exist on the new facility. It is no longer a part of the original property. It is a completely different property with different characteristics than it had prior to the acquisition.

In fact, the appraiser should look at the after value appraisal as a new before value for after value purposes. A new sketch showing the remainder as it exists after the acquisition might be helpful. The sketch could be prepared on a supplemental sheet showing all pertinent details about the remaining property.

Item 3 - **Narrative Discussion of Anticipated Damage and/or Special Benefits -** This item is for additional discussion of factors referred to under Item 1 and Item 2 which in the appraiser's opinion, will result in a loss of value to the remainder(s) such as reduction in economic size, over-improvement, etc., and why. If special benefits are present, state how and why.

The appraiser must remember to discuss non-compensable items of damage at this point, but **they are not** to be included in the after value by adjustments in any of the approaches used. For items of non-compensability, the appraiser may refer to the legal questions and answers in these instructional guidelines or consult the review appraiser.

This sheet may also be used to discuss the appraisal problem existing by reason of the acquisition and the method, procedure and valuation approaches to be used by the appraiser to solve the problem in the after value.

The appraiser should define the problem. Some points to consider are:

1. What is the property's highest and best use?
2. What approaches to value are applicable?
3. What comparable data is needed to develop applicable approaches?
4. Does any functional obsolescence exist?
5. Does any economic obsolescence exist?

Much more may be said about after value appraisals regarding documentation, but it is sufficient to say there is no real difference from the procedures used in the before value. The same basic appraisal fundamentals apply. The same degree of analysis must be present regarding the functional utility of the remainder and the comparisons made to it.

The appraiser must take into consideration **all** factors relating to the utility of the remainder so as to properly determine if the highest and best use has changed to a higher use, a lower use, or possibility will remain the same provided that certain components are re-established.

Special emphasis is placed on the information provided on Sheet 10. Many of the most frequent and severe deficiencies found in appraisals occur in these areas. The issues to be resolved in these analyses are among the most critical and often challenged in the acquisition process. Precise description, thorough analysis, and logical presentation are extremely important in creating a useful appraisal product.

Sheet 15

(After Value) – Correlation and Allocation - This sheet is for summarizing the approaches to value used, final correlation and breakdown of the estimated market value of the entire property.

Item 1 - Final Correlation – The appraiser shall make a final correlation of the approaches used to support the value conclusion and state reasons for any approaches not used. If the departure provision from USPAP is invoked in the appraisal, a statement should be made here relative to that fact, along with reasons for the departure.

Obviously, if the subject property is bare land without significant site improvements, the sales comparison approach is generally the only approach used.

However, if the subject property is an improved income producing property, the cost, income and sales comparison approaches are, in all probability, applicable.

There may be occasions where certain factors such as age of buildings or lack of market data could preclude the use of one of the approaches. In these instances, the appraiser should furnish a reasonable explanation of the situation.

If certain market data is not available in the area where the appraisals are being made, the appraiser may use available data from any area similar to the subject. If the necessary data is not available in another area, the appraiser should indicate the extent of his investigation in a brief statement.

Item 2 - Reasonable Allocation - At this point, the appraiser must allocate the estimate of total market value that has already been found and is shown in Item 1. Land classifications and areas; site improvements and quantities; buildings, building numbers, types, and classes are to be shown here. The appraisal must also show the values allocated for each item. Individual allocations for land components, site improvements, and buildings are then added to get the total for each group. The allocation of contributing values will, of course, be similar to sale component values as adjusted in the sales comparison grids.

Occasionally, appraisals have significant differences between total land value as allocated under this heading and the total land value as established in the cost approach. A substantial difference between land value in the cost approach and land value in the allocation of the fair market value may indicate a failure on the part of the appraiser to properly correlate the unit values of bare land sales which have been used in the cost approach, or possibly, there may be inconsistent analysis and allocation of land values on the comparable sales. If a wide variance is apparent, steps should be taken to correct the inconsistency, or to furnish a reasonable explanation for the variance.

The total value of the entire property is indicated by adding the totals of the land and special land improvements and the buildings. This amount must equal the amount shown under Item 1(e).

Sheet 16

Appraisal Recapitulation – The purpose of this sheet is to summarize value conclusions previously found in the appraisal report.

Item 1 - The before value of the entire property appearing on Sheet 9, Item 1(e) is be shown here.

Item 2 - The after value of the remaining property as shown on Sheet 15, Item 1(e) must be shown here. This must not reflect any loss in value due to non-compensable items.

Item 3 - This is simply the mathematical function that finds the difference between the before and after values (Item 1 minus Item 2). At this point the valuation process is complete with the exception of temporary easements.

Acquisition Summary – The Acquisition Summary is an accounting process for administrative purposes. As stated, the valuation process has been completed. Allocations are included here to assist other administrative functions.

Item 4 - This is the appraiser's opinion of the contributing value of land acquired as a part of the whole property before the acquisition as shown on Sheet 9 under Item 2. The headings are self-explanatory and each column must be filled in as applicable.

Item 5 - This is the same as for Item 4 except for site improvements acquired.

Item 6 - This is the same as for Item 5 except for buildings acquired.

Item 7 - This is the estimated contributing value of the acquisition or the total of Item 4 plus Item 5 plus Item 6.

Item 8 - This item identifies the amount of damage caused by the acquisition and is Item 3 minus Item 7. If Item 7 is greater than Item 3, enhancement is present and the instructions under Item 11 must be followed.

Item 9 - This is for ascertaining the rental value of temporary easement(s). The rental value is derived by multiplying the area of the temporary easement times the land unit value, as found in the after value appraisal, times the current percentage of return for land rentals. If the length of time exceeds one year, the percentage would be increased to allow for the time, i.e., the overall return is determined to be 8 percent and the temporary easement will run for two years then 8 percent times 2 years equals 16 percent and this percentage would be used.

The appraiser may place separate values on temporary easements in accordance with their intended uses and duration.

The appraiser should briefly describe the method used to value any easements shown.

Item 10 - This is the estimated just compensation due the property owner for the acquisition (item 3 plus Item 9).

APPRAISAL FORMAT REQUIREMENTS

The following are the recommended sheets of Form RW 20 under different appraisal scenarios. The formats listed to the left correspond to the "Complexity Rating" column on the Project Report (Form RW 75).

Format	Sheets
MINOR	1, 2, 3, 5(or 8), 9, 10, 11(or 14), 15, 16
BV	1, 2, 3, (4 as applicable), 5, (6, 7, 8 as applicable), 9
BAV	1, 2, 3 (4 as applicable), 5, (6, 7, 8 as applicable), 9, 10, (11, 12, 13, 14 as applicable), 15, 16

Appraisers should give consideration to all three approaches in the BAV and BV formats. In a MINOR format when working with more than one land class, more than one set of sales may be needed.

As noted under each format, sheet numbers outside of parenthesis are required. Use of sheet numbers noted "as applicable" is expected unless a valid reason exists not to. (See also: Appraisal Form RW 20 and Preparation of Project Reports)